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RR RUEHWEB

DE RUEHDR #0199 0911351
ZNR UUUUU ZZH
R 311351Z MAR 08
FM AMEMBASSY DAR ES SALAAM
TO RUEHC/SECSTATE WASHDC 7424
INFO RUEATRS/DEPT OF TREASURY WASHINGTON DC
RUCPDO/DEPT OF COMMERCE WASHDC
RUEHNR/AMEMBASSY NAIROBI 0926

UNCLAS DAR ES SALAAM 000199

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E.O. 12958: N/A
TAGS: [EINV](#) [EFIN](#) [TZ](#)
SUBJECT: TANZANIA: REACTION TO OPIC-SUPPORTED INVESTMENT FUND

REF: STATE 27714

¶1. Post welcomes the opportunity to comment on a new OPIC \$150 million private equity fund: GEF Africa Consumer Fund to invest in companies targeting essential supply chain products and services throughout the consumer goods and services sector, including logistics support, distribution and transportation, light manufacturing, and agro-processing.

¶2. The proposed investment would be particularly useful in the agriculture sector, which contributed 44.7 percent to GDP in 2006. Agriculture employs approximately 80 percent of the Tanzanian labor force. Tanzania's agricultural economy provides readily available raw materials for the agriculture-based industrial sector. Currently, the vast majority of Tanzania's agricultural produce is exported raw or unprocessed. Countless opportunities exist in processing and other value adding activities from agricultural raw materials, as well as in distribution and transportation. Accounting for just over 9 percent of GDP in 2006, the industry sector--including light manufacturing and agro-processing--leaves a large part of Tanzania's economic potential untapped.

¶3. Agro-processing is an important area of potential economic growth and development in Tanzania. Some of the specific products that would most benefit from additional investments in agro-processing include fruit concentrates, jams, and juices; cashew nuts; specialty coffees; fish; meat, both cattle and game; molasses; honey; dairy products such as milk, butter, ice cream, yogurt, and cheese.

¶4. Established businesses in Tanzania are often hindered by the lack of logistical support and the difficulty of distribution and transportation. For example, horticulture--particularly cut flowers--are a major Tanzanian export. However, this thriving industry has not yet realized its full potential due to constraints particularly with distribution and transportation. In the horticulture sector, USAID in collaboration with the Tanzania Horticultural Association (TAHA), is funding the Tanzania Airfreight Project (TAP). TAP seeks to introduce regular and frequent air cargo service through Kilimanjaro International Airport to facilitate market access for its members, who produce flowers, cut vegetables, and fruits for export to the European Union and other global markets.

¶5. Accounting for protection of natural resources, investment in supply chain products and services would fill a gap in Tanzania's economic development and complement Post's goals to aid economic development through encouraging processing and value addition, stimulating trade competitiveness, and improving the business climate.

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